

AUDITING PROCEDURES REPORT

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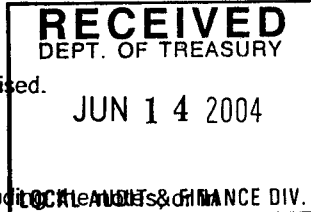
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Elkland	County Tuscola
Audit Date 3-31-04	Opinion Date 5-11-04	Date Accountant Report Submitted to State: 6-11-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tuckey, Bernhardt + Doran, P.C.			
Street Address 715 E. Frank St.	City Caro	State MI	ZIP 48723
Accountant Signature Gary R. Anderson CPA			

**TOWNSHIP OF ELKLAND,
TUSCOLA COUNTY
Cass City, Michigan**

Report of Financial Statements
March 31, 2004

Table of Contents

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	
GENERAL PURPOSE FINANCIAL STATEMENTS	
<i>Combined Balance Sheet - All Fund Types & Account Groups</i>	1 & 2
<i>Combined Statement of Revenues, Expenditures & Changes In Fund Balance - All Governmental Fund Types</i>	3
<i>Combined Statement of Revenues, Expenditures & Changes In Fund Balance - Budget and Actual - General & Special Revenue Funds</i>	4 & 5
<i>Statement of Revenues, Expenditures & Changes in Retained Earnings /Fund Balance -Nonexpendable Trust Fund - Perpetual Care Fund</i>	6
<i>Statement of Cash Flows - Nonexpendable Trust Fund - Perpetual Care Fund</i>	7
<i>Reconciliation of Net Income to Net Cash - Nonexpendable Trust Fund - Perpetual Care Fund</i>	8
<i>Notes to the Financial Statements</i>	9 - 15
FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS	
GENERAL FUND:	
<i>Schedule of Revenues - Budget and Actual</i>	16
<i>Schedule of Expenditures - Budget and Actual</i>	17
SPECIAL REVENUE FUND:	
<i>Combining Balance Sheet</i>	18
<i>Combining Schedule of Revenues, Expenditures & Changes in Fund Balance</i>	19
FIRE FUND:	
<i>Schedule of Revenue, Expenditures & Changes in Fund Balances - Budget and Actual</i>	20
CEMETERY FUND:	
<i>Schedule of Revenues, Expenditures & Changes in Fund Balances - Budget and Actual</i>	21
GENERAL FIXED ASSET GROUP OF ACCOUNTS:	
<i>Schedule of Changes in General Fixed Assets</i>	22
CURRENT TAX COLLECTION FUND:	
<i>Schedule of Changes in Assets and Liabilities</i>	23

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants



Gary R. Anderson, CPA
Robert L. Tuckey, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Valerie Jamieson Hartel, CPA
Laura L. Kruckow, CPA
Jamie L. Peasley, CPA

May 11, 2004

REPORT OF INDEPENDENT AUDITOR'S

Township of Elkland
Tuscola County
Cass City, MI 48726

We have audited the accompanying general purpose financial statements of the Township of Elkland as of March 31, 2004 and 2003 and for the years then ended. These general purpose financial statements are the responsibility of Elkland Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Elkland as of March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Elkland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

715 East Frank Street, Caro, MI 48723-1647 • 989/673-3137 • 800-234-8829 • Fax 989/673-3375

6261 Church Street, Cass City, MI 48726-1111 • 989/872-3730 • Fax 989/872-3978

E mail cpa@atbdcpa.com Website www.atbdcpa.com

GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combined Balance Sheet - All Fund Types and Account Group March 31, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>PROPRIETARY FUND TYPES</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>PERPETUAL CARE FUND</u>
<u>ASSETS</u>			
Cash	\$ 381,377	\$ -	\$ 39,700
Certificates of deposit	247,686	-	30,400
Receivables:			
Accounts			
Other			1,372
Due from other funds	14,163	22,902	
Prepaid expenses	2,712	18,035	
Property, Plant & Equipment			
Restricted Assets:			
Cash			
Taxes Receivable	-		
<u>TOTAL ASSETS</u>	<u>\$ 645,938</u>	<u>\$ 40,937</u>	<u>\$ 71,472</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts payable		\$ 26,073	
Due to other funds	\$ 22,000		\$ 902
Due to other governmental agencies			
Total	22,000	26,073	902
Fund Equity:			
Investment in general fixed assets			
Fund balance	623,938	\$ 14,864	70,570
Total Fund Equity	623,938	14,864	70,570
<u>TOTAL LIABILITIES & FUND EQUITY</u>	<u>\$ 645,938</u>	<u>\$ 40,937</u>	<u>\$ 71,472</u>

The accompanying footnotes are an integral part of the financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
		PRIMARY GOVERNMENT	
TAX COLLECTION FUND	GENERAL FIXED ASSETS	MARCH 31, 2004	MARCH 31, 2003
		\$ 421,077	\$ 310,459
		278,086	275,558
		-	-
		1,372	1,371
		37,065	52,296
		20,747	15,075
	\$ 731,503	731,503	724,976
		-	-
\$ 15,624		15,624	93,653
233,996		233,996	251,489
<u>\$ 249,620</u>	<u>\$ 731,503</u>	<u>\$ 1,739,470</u>	<u>\$ 1,724,877</u>
		\$ 26,073	\$ -
\$ 14,163		37,065	52,296
235,457		235,457	353,616
<u>249,620</u>		<u>298,595</u>	<u>405,912</u>
	\$ 731,503	731,503	724,976
		709,372	593,989
	731,503	1,440,875	1,318,965
-			
<u>\$ 249,620</u>	<u>\$ 731,503</u>	<u>\$ 1,739,470</u>	<u>\$ 1,724,877</u>

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - All Governmental
Fund Types for the Year Ended March 31, 2004

			TOTALS (MEMORANDUM ONLY)	
			MARCH 31,	
	<u>GENERAL</u>	<u>SPECIAL</u> <u>REVENUE</u>	<u>2004</u>	<u>2003</u>
REVENUES:				
Taxes	\$222,466		\$222,466	\$165,207
License and permits	1,765		1,765	1,670
Intergovernmental	74,278	\$ 43,400	117,678	120,046
Charges for services		33,835	33,835	37,863
Donations		-	-	15,000
Investment income	4,149		4,149	4,782
Other revenues	1,905	1,931	3,836	1,573
Fire runs		12,975	12,975	11,778
TOTAL REVENUES	<u>304,563</u>	<u>92,140</u>	<u>396,703</u>	<u>357,919</u>
EXPENDITURES:				
Legislative	3,770		3,770	3,650
General government	60,770		60,770	69,475
Public safety	15,336	71,229	86,565	120,992
Public works	41,476		41,476	55,056
Recreation and culture	4,616		4,616	2,000
Cemetery operations		61,171	61,171	58,137
Other	25,884		25,884	25,185
TOTAL EXPENDITURES	<u>151,852</u>	<u>132,400</u>	<u>284,252</u>	<u>334,495</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	<u>152,711</u>	<u>(40,260)</u>	<u>112,451</u>	<u>23,424</u>
OTHER FINANCING SOURCES (USES):				
Transfers in		22,563	22,563	56,004
Transfers out	(22,000)		(22,000)	(55,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,000)</u>	<u>22,563</u>	<u>563</u>	<u>1,004</u>
EXCESS OF REVENUES & OTHER SOURCES				
OVER (UNDER) EXPENDITURES & OTHER USES	<u>130,711</u>	<u>(17,696)</u>	<u>113,015</u>	<u>24,428</u>
FUND BALANCE - APRIL 1	<u>493,227</u>	<u>32,560</u>	<u>525,787</u>	<u>501,359</u>
FUND BALANCE - MARCH 31	<u><u>\$623,938</u></u>	<u><u>\$ 14,864</u></u>	<u><u>\$638,802</u></u>	<u><u>\$525,787</u></u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual -
General and Special Revenue Funds
for the Year Ended March 31, 2004

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Taxes	\$ 177,000	\$ 222,466	\$ 45,466
Licenses and permits	1,500	1,765	265
Intergovernmental	70,000	74,278	4,278
Charges for services			
Investment income	6,000	4,149	(1,851)
Donations			
Other revenues	350	1,905	1,555
Fire runs			
TOTAL REVENUES	254,850	304,563	49,713
EXPENDITURES:			
Legislative	3,770	3,770	-
General government	69,726	60,770	8,956
Public safety	16,000	15,336	664
Public works	102,904	41,476	61,428
Recreation and culture	2,000	4,616	(2,616)
Cemetery operations			
Other	30,450	25,884	4,566
TOTAL EXPENDITURES	224,850	151,852	72,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,000	152,711	122,711
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out	(40,000)	(22,000)	18,000
TOTAL OTHER FINANCIAL SOURCES (USES)	(40,000)	(22,000)	18,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(10,000)	130,711	140,711
FUND BALANCE - APRIL 1	493,227	493,227	-
FUND BALANCE - MARCH 31	\$ 483,227	\$ 623,938	\$ 140,711

The accompanying footnotes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 45,000	\$ 43,400	\$ (1,600)
38,500	33,835	(4,666)
-	-	-
1,000	1,931	931
12,975	12,975	-
97,475	92,140	(5,335)
80,181	71,229	8,952
64,831	61,171	3,660
145,012	132,400	12,612
(47,537)	(40,260)	7,277
41,500	22,563	(18,937)
41,500	22,563	(18,937)
(6,037)	(17,696)	(11,659)
32,560	32,560	-
\$ 26,523	\$ 14,864	\$ (11,659)

TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 177,000	\$ 222,466	\$ 45,466
1,500	1,765	265
115,000	117,678	2,678
38,500	33,835	(4,666)
6,000	4,149	(1,851)
-	-	-
1,350	3,836	2,486
12,975	12,975	-
352,325	396,703	44,378
3,770	3,770	-
69,726	60,770	8,956
96,181	86,565	9,616
102,904	41,476	61,428
2,000	4,616	(2,616)
64,831	61,171	3,660
30,450	25,884	4,566
369,862	284,252	85,610
(17,537)	112,451	129,988
41,500	22,563	(18,937)
(40,000)	(22,000)	18,000
1,500	563	(937)
(16,037)	113,015	129,052
525,787	525,787	-
\$ 509,750	\$ 638,802	\$ 129,052

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance
Nonexpendable Trust Fund -
Perpetual Care Fund

	YEAR ENDED MARCH 31,	
	2004	2003
OPERATING REVENUES:		
Perpetual care fees	\$ 2,368	\$ 2,100
Interest income	563	1,004
TOTAL OPERATING REVENUES	2,931	3,104
OPERATING EXPENSES	-	-
INCOME BEFORE OPERATING TRANSFERS	2,931	3,104
OPERATING TRANSFERS IN (OUT)	(563)	(1,004)
NET INCOME	2,368	2,100
RETAINED EARNINGS/FUND BALANCE - APRIL 1	68,202	66,102
RETAINED EARNINGS/FUND BALANCE - MARCH 31	<u>\$ 70,570</u>	<u>\$ 68,202</u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Statement of Cash Flows -
Nonexpendable Trust Fund -
Perpetual Care Fund

	YEAR ENDED MARCH 31,	
	2004	2003
Cash flows from operating activities:		
Cash received from customers	\$ 2,368	\$ 2,100
Interest received	785	1,439
Increase (decrease) accrued interest receivable	1	(1)
Transfer to cemetery fund	(563)	(1,004)
Net cash provided by operating activities	2,591	2,534
CASH AT BEGINNING OF YEAR	67,509	64,975
CASH AT END OF YEAR	<u>\$ 70,100</u>	<u>\$ 67,509</u>

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Reconciliation of Net Income to Net Cash
Nonexpendable Trust Fund -
Perpetual Care Fund

	YEAR ENDED MARCH 31,	
	<u>2004</u>	<u>2003</u>
Net Income	\$ 2,368	\$ 2,100
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in due to other funds	<u>223</u>	<u>434</u>
Net cash provided by operating activities	<u><u>\$ 2,591</u></u>	<u><u>\$ 2,534</u></u>

Disclosure of Accounting Policy:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, demand deposits in banks, and balances of certificates of deposit.

The accompanying footnotes are an integral part of the financial statements.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to the Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:

The Township of Elkland, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,300 residents in many areas including public works, public safety, community enrichment and development and human services.

The financial statements of the Township of Elkland have been prepared in conformity with U.S. generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Elkland contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

B. FUND ACCOUNTING:

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

PROPRIETARY FUNDS - are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise fund) or to other departments or agencies primarily within the government (internal service fund).

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

B. FUND ACCOUNTING, (Continued):

FIDUCIARY FUNDS - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

ACCOUNT GROUPS - are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

C. BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increased (i.e. revenues) and decrease (i.e. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

D. BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

E. CASH AND INVESTMENTS:

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance; Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet.

G. RECEIVABLES:

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

H. RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resource set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Notes to the Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

I. FIXED ASSETS:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are value at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

J. LONG-TERM OBLIGATIONS:

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represents tentative plans for future use of financial resources.

L. INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to the Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

M. MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

N. COMPARATIVE DATA:

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complicated and difficult to understand.

O. ESTIMATES:

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CHANGES IN GENERAL FIXED ASSETS:

A summary of changes in general fixed assets follows:

	<u>BALANCE MARCH 31, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE MARCH 31, 2004</u>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	19,290			19,290
Equipment	<u>562,507</u>	<u>\$13,027</u>	<u>\$6,500</u>	<u>569,034</u>
TOTAL	\$724,976	\$13,027	\$6,500	\$731,503

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to the Financial Statements

March 31, 2004

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments are held separately by each of the Township's funds.

DEPOSITS:

At year-end, the carrying amount of the Township's deposits was \$688,714 and the bank balance was \$691,403, \$224,912 of which was covered by federal depository insurance.

INVESTMENTS:

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterpart's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At March 31, 2004, the Township had no Category 2 or 3 investments.

The Township's cash, cash equivalents, investments and restricted assets at March 31, 2004 are composed of the following:

	<u>CASH & CASH EQUIVALENTS</u>	<u>INVESTMENTS</u>	<u>RESTRICTED ASSETS</u>
GENERAL FUND:			
Deposits	\$629,063		
Other Funds:			
Deposits	<u>44,027</u>	<u>—</u>	<u>\$15,624</u>
TOTAL	\$673,090	\$0	\$15,624

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Notes to the Financial Statements

March 31, 2004

NOTE 4 - LEGAL COMPLIANCE - BUDGETS:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to December 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to February 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 5 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, and agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied 1.647 mills for operations and 1.1 mills for Library services.

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues - Budget and Actual
General Fund
For the Fiscal Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
TAXES:			
Current Property Taxes	\$ 150,000	\$ 194,705	\$ 44,705
Delinquent tax	500	3,697	3,197
Trailer park tax	3,000	2,853	(147)
Administrative fee	<u>23,500</u>	<u>21,211</u>	<u>(2,289)</u>
TOTAL TAXES	<u>177,000</u>	<u>222,466</u>	<u>45,466</u>
LICENSES & PERMITS:			
Zoning permits	<u>1,500</u>	<u>1,765</u>	<u>265</u>
Intergovernmental Revenues:			
State Revenue Sharing	<u>70,000</u>	<u>74,278</u>	<u>4,278</u>
Investment Income:			
Interest income	<u>6,000</u>	<u>4,149</u>	<u>(1,851)</u>
Other Revenue:			
Miscellaneous income	<u>350</u>	<u>1,905</u>	<u>1,555</u>
TOTAL OPERATING REVENUE	<u>\$ 254,850</u>	<u>\$ 304,563</u>	<u>\$ 49,713</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Expenditures - Budget and Actual
General Fund
For the Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Legislative:			
Township Board	\$ 3,770	\$ 3,770	\$ -
General Government:			
Township Supervisor	11,043	10,073	970
Assessor	12,000	11,949	51
Treasurer	20,265	17,966	2,299
Clerk	12,468	11,504	964
Board of Review	1,400	1,273	127
Elections	-	854	(854)
Zoning board	3,350	2,245	1,105
Building and grounds	3,900	531	3,369
Legal and accounting	5,300	4,375	925
TOTAL GENERAL GOVERNMENT	<u>69,726</u>	<u>60,770</u>	<u>8,956</u>
Public Safety:			
Ambulance Services	15,000	14,636	364
Drug enforcement	1,000	700	300
TOTAL PUBLIC SAFETY	<u>16,000</u>	<u>15,336</u>	<u>664</u>
Public Works:			
Road maintenance	47,379	33,255	14,124
Road construction	46,025	7	46,018
Road mowing	3,500	3,110	390
Drain at large	6,000	5,104	896
TOTAL PUBLIC WORKS	<u>102,904</u>	<u>41,476</u>	<u>61,428</u>
Recreation and Culture:			
Park	2,000	4,616	(2,616)
Other:			
Other intergovernmental	9,200	6,700	2,500
Insurance and bonds	1,500	1,529	(29)
Other general government	8,700	5,734	2,966
Fringe benefits	11,050	11,921	(871)
TOTAL OTHER EXPENSES	<u>30,450</u>	<u>25,884</u>	<u>4,566</u>
TOTAL EXPENDITURES	<u>224,850</u>	<u>151,852</u>	<u>72,998</u>
Operating transfer out:			
Fire fund	18,000	-	18,000
Cemetery fund	22,000	22,000	-
TOTAL EXPENDITURES & TRANSFERS OUT	<u>\$ 264,850</u>	<u>\$ 173,852</u>	<u>\$ 90,998</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combining Balance Sheet -

Special Revenue Funds

March 31, 2004

	FIRE FUND	CEMETERY FUND	TOTALS (MEMORANDUM ONLY) MARCH 31,	
			2004	2003
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ -	\$ 18,042
Due from other funds	-	22,902	22,902	678
Prepaid expenses	13,885	4,150	18,035	13,840
<u>TOTAL ASSETS</u>	<u>\$ 13,885</u>	<u>\$ 27,052</u>	<u>\$ 40,937</u>	<u>\$ 32,560</u>
 <u>LIABILITIES & FUND BALANCE</u>				
Liabilities:				
Accounts payable - bank overdraft	\$ 283	\$ 25,790	\$ 26,073	\$ -
Fund Balance:				
Unreserved	\$ 13,602	\$ 1,262	14,864	32,560
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 13,885</u>	<u>\$ 27,052</u>	<u>\$ 40,937</u>	<u>\$ 32,560</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Combining Schedule of Revenues, Expenditures
& Changes in Fund Balance - Special Revenue Funds
For the Year Ended March 31, 2004

			TOTALS	
			(MEMORANDUM ONLY)	
	FIRE	CEMETERY	MARCH 31,	
	FUND	FUND	2004	2003
REVENUES:				
Intergovernmental revenues	\$ 43,400		\$ 43,400	\$ 40,406
Charges for services		\$ 33,835	33,835	37,863
Donations	-		-	15,000
Miscellaneous revenues	-	1,931	1,931	951
Fire runs	12,975		12,975	11,778
TOTAL REVENUES	56,375	35,765	92,140	105,998
EXPENDITURES:				
Public safety	71,229		71,229	105,356
Cemetery operations		61,171	61,171	58,137
TOTAL EXPENDITURES	71,229	61,171	132,400	163,493
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(14,854)	(25,406)	(40,260)	(57,495)
OTHER FINANCING SOURCES				
Operating transfers in	-	22,563	22,563	56,004
EXCESS OF REVENUES & OTHER SOURCES				
OVER (UNDER) EXPENDITURES &				
OTHER USES	(14,854)	(2,842)	(17,696)	(1,491)
FUND BALANCE - APRIL 1	28,456	4,104	32,560	34,051
FUND BALANCE - MARCH 31	\$ 13,602	\$ 1,262	\$ 14,864	\$ 32,560

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues, Expenditures & Changes
in Fund Balance - Budget & Actual
Fire Fund
For the Fiscal Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Intergovernmental:			
Local Units	\$ 45,000	\$ 43,400	\$ (1,600)
Donations	-	-	-
Miscellaneous	500	-	(500)
Fire runs	15,000	12,975	(2,025)
TOTAL REVENUES	<u>60,500</u>	<u>56,375</u>	<u>(4,125)</u>
EXPENDITURES:			
Salaries	26,881	24,386	2,495
Insurance	14,000	12,476	1,524
Telephone	1,700	1,428	272
Gas & Oil	2,500	1,958	542
Truck repairs	7,000	10,185	(3,185)
Training & Education	2,000	2,565	(565)
Supplies	3,000	2,938	62
Dues	500	440	60
Miscellaneous	500	657	(157)
Utilities	4,500	4,701	(201)
Repairs – Electronics	1,500	824	676
Repairs – Building	2,500	1,998	502
FICA Expense	600	565	35
Capital outlay	12,000	5,396	6,604
Legal fees	1,000	712	288
TOTAL EXPENDITURES	<u>80,181</u>	<u>71,229</u>	<u>8,952</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,681)</u>	<u>(14,854)</u>	<u>4,827</u>
OTHER FINANCING SOURCES:			
Operating transfers in	18,000	-	(18,000)
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(1,681)</u>	<u>(14,854)</u>	<u>(13,173)</u>
FUND BALANCE - APRIL 1, 2003	<u>28,456</u>	<u>28,456</u>	
FUND BALANCE - March 31, 2004	<u>\$ 26,775</u>	<u>\$ 13,602</u>	<u>\$ (13,173)</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Revenues, Expenditures & Changes
in Fund Balance - Budget & Actual
Cemetery Fund
For the Fiscal Year Ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Charges for services:			
Sale of Lots	\$ 8,000	\$ 10,135	\$ 2,135
Grave openings	17,500	15,204	(2,296)
Foundations	13,000	8,496	(4,505)
Annual care	-	-	-
Total Charges for Services	38,500	33,835	(4,666)
Miscellaneous income	500	1,931	1,431
TOTAL REVENUES	39,000	35,765	(3,235)
EXPENDITURES:			
Sexton's salary	17,701	17,701	0
Outside labor	16,000	14,703	1,297
Backhoe work	5,000	3,840	1,160
Taxes - FICA	1,630	1,354	276
Materials	3,500	2,787	713
Repairs	5,000	5,617	(617)
Supplies	2,500	1,610	890
Telephone	900	839	61
Gas & Oil	1,000	691	309
Miscellaneous	500	998	(498)
Utilities	150	118	32
Insurance	3,500	2,828	672
Lots	500	1,380	(880)
Cemetery house repair	-	-	-
Health Insurance	3,950	4,332	(382)
Capital outlay	3,000	2,375	625
TOTAL EXPENDITURES	64,831	61,171	3,660
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,831)	(25,406)	425
OTHER FINANCING SOURCES:			
Operating transfers in	23,500	22,563	(937)
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	(2,331)	(2,842)	(511)
FUND BALANCE - APRIL 1, 2003	4,104	4,104	
FUND BALANCE - March 31, 2004	\$ 1,773	\$ 1,262	\$ (511)

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Changes in General Fixed Assets
For the Year Ended March 31, 2004

	<u>BALANCE MARCH 31, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE MARCH 31, 2004</u>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	19,290			19,290
Equipment	<u>562,507</u>	<u>\$ 13,027</u>	<u>\$ 6,500</u>	<u>569,034</u>
TOTAL	<u>\$ 724,976</u>	<u>\$ 13,027</u>	<u>\$ 6,500</u>	<u>\$ 731,503</u>

See the accompanying notes.

TOWNSHIP OF ELKLAND, TUSCOLA COUNTY
Schedule of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended March 31, 2004

	CURRENT TAX COLLECTION FUND			
	BALANCE MARCH 31, 2003	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2004
<u>ASSETS</u>				
Cash	\$ 93,653		\$ 78,029	\$ 15,624
Taxes Receivable	251,489	\$ 2,108,484	2,125,977	233,996
TOTAL ASSETS	\$ 345,142	\$ 2,108,484	\$ 2,204,006	\$ 249,620
 <u>LIABILITIES</u>				
Due to State	\$ 39,068	\$ 10,072		\$ 28,996
Due to Tuscola County	56,681	690,278	\$ 695,701	62,104
Due to Cass City Schools	89,383	806,347	805,941	88,977
Due to Rawson Library	62,370	143,096	88,780	8,054
Due to General Fund	51,618	191,198	153,743	14,163
Due to Intermediate Schools	43,475	343,313	345,486	45,648
Due to Owengage School	2,547	19,702	18,833	1,678
TOTAL LIABILITIES	\$ 345,142	\$ 2,204,006	\$ 2,108,484	\$ 249,620

See the accompanying notes.